98TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
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VETERANS' HOUSING BENEFITS AMENDMENTS OF 1983

MAY 13, 1983.—Committed to the Committee of the White House on the state of the Union and ordered to be printed

Mr. MONTGOMERY, from the Committee on Veterans' Affairs submitted the following

REPORT

[To accompany H.R. 2948]

[Including cost estimate of the Congressional Budget Office]

The Committee on Veterans' Affairs to whom was referred the bill (H.R. 2948) to amend title 38, United States Code, to authorize the Administrator of Veterans' Affairs to provide mortgage assistance to veterans with loans guaranteed by the Veterans' Administration in order to avoid foreclosure of such loans, and for other purposes, having considered the same, with a quorum present, report favorably thereon by unanimous voice vote with an amendment and recommend that the bill as amended do pass.

The amendment (stated in terms of the page and line numbers of the introduced bill) is as follows:

Page 3, line 10, strike out "subsection" and insert in lieu thereof "section".

INTRODUCTION

On April 21, 1983, the Subcommittee on Housing and Memorial Affairs began hearings to review the VA home loan guarantee program and related legislation.

The subcommittee received testimony from the Veterans' Administration, the Mortgage Bankers Association, the Manufactured Housing Institute, the Coordinating Council on Manufactured Housing Finance, the Disabled American Veterans, the American Legion, the Veterans of Foreign Wars, AMVETS, the Philadelphia Unemployment Project and the Mon-Valley Unemployment Commission.

In particular, the subcommittee considered H.R. 2618, a bill authorizing the Administrator of Veterans' Affairs to provide mort-

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gage assistance to veterans with loans guaranteed by the Veterans' Administration in order to avoid foreclosure of such loans.

Comments were also heard on H.R. 2664, a bill authorizing loan guarantees for certain manufactured homes permanently affixed to a lot, and on H.R. 2505, a bill requested by the Administration which would permit restoration of loan guaranty when a veteran to whom a home is transferred is not the immediate transferee.

In addition, a hearing was held on April 14, 1983, to consider H.R. 2220, a bill authorizing the Administrator to make contributions to local authorities to provide safe ingress to or egress from national cemeteries, and H.R. 2506, a bill authorizing a 5-year extension of the State-matching veterans' cemetery grant program. The subcommittee received testimony from the Veterans' Administration, the Veterans of Foreign Wars, and the Disabled American Veterans.

On April 28, 1983, the subcommittee recommended a clean bill to the full committee for its consideration. This measure was subsequently introduced, as H.R. 2948. On May 10, 1983, the full committee with a quorum present, by unanimous voice vote, ordered H.R. 2948 to be reported.

Background

VETERANS' ADMINISTRATION GUARANTEED HOME LOAN PROGRAMS

The Veterans' Administration home loan programs serve a clientele which is diverse in many ways. The only common denominator of this clientele is service in the Armed Forces of the Nation. Since the inception of these programs the objective has been to assist eligible veterans to become homeowners. Veterans are assisted by making it possible for them to compete in the marketplace for credit with persons who were not obliged to forego the pursuit of gainful occupations by reason of service in the Armed Forces of the Nation. The VA programs are intended to benefit men and women because of their service to the country, and they are not designed to serve as instruments of attaining general economic or social objectives.

Cumulatively the VA guaranty has been instrumental to private lenders extending more than $204 billion to 11 million veterans to purchase or construct homes on an unsubsidized basis. All empirical evidence points to the VA loan programs having made mortgage credit available to many veterans whose loans otherwise would not have been made. In this connection, although VA borrowers have been directly favored by the more liberal terms on those loans, it is also likely that these terms have induced a competitive liberalization of the terms on conventional mortgages, whose recipients have benefited as well. As a result, the impact of the VA home loan programs on the economy and on the mortgage market vastly exceeds the actual volume of VA home loans.

Initial objectives and philosophy

The home loan guaranty program was originally conceived in 1944 as a part of an attack on the harsh aftermath associated with wars. The overall objectives of this attack were to diminish to the

greatest possible extent the economic and sociological problems of postwar readjustments of millions of men and women then serving in the Armed Forces.

The program was one of the major innovations and a most important part of the original Servicemen's Readjustment Act of 1944, Public Law 78-346. The first legal framework was set forth in title III of that act.

Credit was viewed as one of the cornerstones of a program to aid the veteran in his effort to readjust himself to civilian life. In the opinion of the supporters of the original legislation, the Government should provide the means whereby the veteran could obtain favorable credit which would permit him to shelter his family or begin his business or farming venture. This concept arose because of the feeling that veterans, in view of their service in the Armed Forces, had missed an opportunity to establish a credit rating which could be the basis of borrowing to acquire a home or to establish a business. The establishment of the loan guaranty program was an attempt to place the veteran on a par with his nonveteran counterpart.

The loan guaranty program also provided an investment outlet for large amounts of savings which existed in the economy at the end of World War II. During the years of the war, normal investment outlets were restricted because of the shift from the production of civilian goods to war production. By imposition of price and production controls on many items, the normal flow of consumer durable goods had been reduced. Thus, individual savings reached record proportions, and large amounts of money became available for investment purposes. Expectations at the time that there would be a normal postwar depression shortly after termination of the war made it seem important that planning be done to stimulate the redirection of accumulated liquid capital into normal peacetime avenues.

Historial development

Under the foundation law—Public Law 78-346—the maximum amount of guaranty was limited to 50 percent of the loan, but not to exceed $2,000; loans were limited to a maximum 20 years, with a maximum interest rate of 4 percent; the purchase price paid or to be paid, or the construction cost, including the value of the land, could not exceed the reasonable normal value as determined by an appraisal; and loans could be made by persons, firms, associations, corporations or by governmental agencies and corporations under either State or Federal jurisdictions. Home loans could be used for the purchase, construction, improvement or repair of residential property which veterans intended to occupy as their homes. With reference to terms of the loan, the act further stated that such terms should bear a proper relation to the veteran's present and anticipated income. Initially, all loans had to have the prior approval of the Veteran's Administration.

To be eligible to make use of the loan guaranty benefit, the veteran must have served in the active military or naval forces of the United States for a period of 90 days or more any time on or after September 16, 1940, and before official termination of World War II. In this connnection, a veteran could apply for a loan any time

within 2 years after separation from the service or 2 years after the official end of the war, whichever was the later date. However, no applications were to be received more than 5 years after the termination of the war.

The original version of the loan guaranty program contained various shortcomings which became evident during the first year of operation. First, real estate prices had risen so much that the $2,000 maximum guaranty was not large enough. Second, the requirement that the price of the real estate must be normal caused difficulties because to many this indicated prewar prices. Third, the limitation of 2 years after the war as the period during which loan guaranties could be obtained was feared to be too short because of the great potential number of veteran borrowers and the possible inflationary potential. And, fourth, the 20-year maturity on loans required by the act meant that monthly payments were so high that many veterans were precluded from obtaining loans.

These various shortcomings of the program were considered in hearings before committees of the House and Senate and amendments were enacted to title III in 1945 by Public Law 79-268.

The maximum amount of guaranty available to a veteran was increased to $4,000 for home loans. The maximum maturity for real estate loans was extended to 25 years and for farm loans to 40 years. The term "normal" was removed from the requirement of "reasonable normal value", leaving it as "reasonable value".

These changes constituted a basic change in objectives. No longer was the home loan benefit aimed at immediate readjustment aid. It was to be a long-range benefit open to any eligible veteran wishing to buy a home within 10 years if he could meet the credit requirements. The original idea of keeping the purchase price low by the use of "reasonable normal value" was abandoned in favor of a large volume of transactions at current market prices.

These changes constituted an almost complete revision of the loan guaranty program. It changed many of the basic objectives, such as holding the price of properties to prewar level. An even more basic philosophical change was that the original act was considered only as a readjustment aid for the veteran who wanted to start a home, a business, or buy a farm when he got out of the service. The extension of ready-made credit by the Government was to make up for his lost time. The new act provided something different. It could no longer be considered solely as an adjustment benefit for the few who had immediate and specific plans after leaving service. It was now open to all veterans who might decide to avail themselves of the benefit at any time within 10 years after the official end of the war. In terms of aiding the economy over the reconversion period the objectives had also changed. It was now a long-range housing program for veterans. This last of the new objectives has been maintained consistently throughout the subsequent changes in the program. Nearly all changes have been presumed to help the veteran become a homeowner by extending the terms, making mortgage money available, protecting him from excessive charges and faulty construction.

In the years 1948 and 1949, residential construction reached successive new all-time highs each year. Yet the demand for new dwelling units was still far from satisfied. Consequently, in the

spring of 1950, Congress enacted legislation changing both the Servicemen's Readjustment Act and the National Housing Act.

There were eight basic changes in the VA home loan program included in the Housing Act of 1950, Public Law 81-475. Five of these changes involved, or at least implied, a change in objectives from the original legislation. These changes in objectives were, in a sense, extensions of the changed objectives which were started by the 1945 amendments, that is, liberalizing the benefit so that more veterans could participate.

First, the maximum amount of guaranty was changed from 50 percent of the loan amount, but not to exceed $4,000, to 60 percent and $7,500. Second, the maximum maturity of loans was lengthened from 25 to 30 years. Third, unremarried widows of veterans who had died in service or as a result of service-connected injury or disease were given the same loan privileges as veterans. Fourth, veterans whose homes were obtained with VA loans but lost through fire or natural hazards, or were taken by public condemnation, or were disposed of for other compelling reasons not the fault of the veteran, were given back their full entitlement on a loan provided the VA no longer had any liability on the original loan. Fifth, the law authorized the Veterans' Administration to establish minimum construction standards; these standards were intended to lend additional support to the appraisal procedures and thus protect the veteran from getting an inferior product for his money. Sixth, section 505 of title III of the Servicemen's Readjustment Act, which had provided for combination VA-FHA loans, was repealed; the combination loan carried an effective interest cost of about 4.8 percent (that is, 4½ percent interest plus one-half percent insurance on the 80 percent portion insured by FHA and 4 percent on the remaining 20 percent or less guaranteed by the VA). Seventh, the law authorized VA to issue regulations setting the amounts of fees and charges which the lenders might impose on the builder and the veteran. The eighth was a provision for a direct loan program.

In addition to changes affecting the loan guaranty program, the Housing Act of 1950 further extended the possibility of veterans participating in the loan program by providing for direct loans in areas where guaranteed loans could not be obtained readily or where private mortgage money was not available. These loans could be used for the purchase or construction of homes or for construction or improvement of farmhouses. The authority for the Veterans' Administration to make such loans was granted for about a year but was extended subsequently from time to time.

The purpose of the direct loan provisions was to give all veterans an equal opportunity to get homes even though they lived in areas where private lenders were not interested in the loan guaranty or had insufficient funds to make such mortgages.

From 1950 to 1952 most changes in the loan guaranty program were designed to improve operations or to adjust credit problems rather than changes in objectives. The only exception to this was the passage of the Korean GI bill, Public Law 82-550.

The Korean conflict posed the same problems for its veterans as World War II in terms of impact upon schooling, jobs or building up an equity for the purchase or construction of a home, starting a

business, or buying a farm or farm equipment. Congress readily recognized that these veterans were also entitled to aid in readjustment to civilian status upon leaving the service.

There were other changes resulting from Public Law 82-550, as discussed below. An increasing number of complaints as to the quality of new houses constructed under the provisions of the loan guaranty program led the Veterans' Administration to require minimum planning and general acceptability standards relative to land development, sanitary and drainage systems, water supply, and other development improvements. The 1950 legislation had permitted only actual construction standards.

In order to give added enforcement powers to both construction and planning standards, the Administrator of Veterans' Affairs was given authority to refuse to appraise any dwelling unit or project owned by a person or firm who had previously sold housing to veterans and which had been found to have substantial deficiencies or to those transactions which had been in other ways unduly prejudicial to veteran purchasers. The Administrator was also empowered to refuse to guarantee loans made by lenders who had failed to keep accurate records or otherwise willfully engaged in practices detrimental to veterans' interests.

As stated above, in 1952 Public Law 82-550 extended the home loan benefit to Korean veterans and provided such benefit. Thereafter, Public Law 84-898, approved August 1, 1956, extended the home loan program for World War II veterans until December 31, 1958. The home loan program was also extended by the 85th Congress and the 86th Congress.

In 1960, the veteran's home loan program reached its lowest point in 15 years despite the fact that more than 14 million veterans of World War II and the Korean conflict had not used their entitlement to home loans. Public Law 87-84, approved July 6, 1961, removed the expiration dates of the home loan program for World War II and Korean veterans, from the then-existing law. In lieu, the law put into effect a new phaseout formula. In essence, the new act provided for all World War II veterans to have at least until July 25, 1962, to obtain guaranteed or direct loans; or World War II veterans to have 10 years from the date of discharge from active duty during World War II, plus an additional period equal to 1 year for each 3 months of active duty during World War II, but in no case beyond July 25, 1967. In the case of World War II veterans with a service-connected disability discharge, all these veterans had until July 25, 1967, to use their guaranteed or direct loan benefits.

A similar formula was developed for Korean veterans. These veterans had at least until February 1, 1965, to obtain a guaranteed or direct loan; or 10 years from the date of discharge from active duty during the Korean conflict, plus an additional period to 1 year for each 3 months of active duty during the Korean conflict, but in no case beyond January 31, 1975. Like in the case of World War II veterans with service-connected disability, Korean conflict veterans with service-connected disability had until January 31, 1975, to use their home loan benefits.

In addition to the phaseout formula, the act also authorized additional funds for the veterans' direct home loan program. Funds for

direct loans had been inadequate and a big waiting list had been accumulated.

In 1966, Congress approved the Veterans' Readjustment Benefits Act of 1966, better known as the "Cold War GI bill." This act, among other things, made servicemen and post-Korean veterans, persons who had served in active duty in the Armed Forces after January 31, 1955, eligible for VA guaranteed home and farm loans and direct loans. Although the loan benefits for post-Korean veterans and servicemen were similar in type to those available for World War II and Korean veterans, there was one noticeable difference. Unlike the loans available to World War II and Korean veterans, the post-Korean loan program was subject to a one-time funding fee in the sum of one-half of 1 percent of the loan. This fee, which was in effect until it was terminated by Public Law 91-506 on October 23, 1970, formed a reserve fund to cover any losses that might arise under the program.

The law also authorized the Administrator to adjust the VA home loan interest rate ceiling according to the demands of the loan market. In addition, it also increased the direct loan amount from $15,000 to $17,500. The law also had a provision that requires the consent of an individual before there is any offsetting or withholding of VA benefit payments on account of an indebtedness arising out of a defaulted loan.

In approving the act in 1966, Congress believed that post-Korean veterans were beset with problems almost identical with those to which the two previous GI bills were addressed. The cold war and the compulsory draft law brought about a compelling need for the GI cold war bill.

Public Law 90-301, approved May 7, 1968, made some additional changes to the VA home loan programs all designed to improve their operations and to adjust to credit problems. First, the maximum guaranty amount was increased from $7,500 to $12,500. Second, the law also empowered the VA to extend aid to distressed veteran homeowners who, after relying on VA or FHA construction standards and inspections during construction, found major structural defects in their properties which were purchased with VA mortgage loans. Third, the law also authorized the VA to guarantee a loan even though the purchase price exceeds the reasonable value of the property as long as the loan amount did not exceed the reasonable value of the property.

Public Law 90-301 also established the Commission on Mortgage Interest Rates. The statutory charge to the Commission grew out of a general background of rapidly rising interest rates and increasing shortages of mortgage credit and the specific congressional action of temporarily suspending the statutory ceiling of 6 percent on the interest rate of FHA-insured and VA-guaranteed mortgages. In broad terms, the Commission's assignment was to study and recommend ways of dealing with VA-FHA ceilings and of increasing the availability of mortgage credit at reasonable rates of interest to help assure that the Nation's housing goal is met.

On October 23, 1970, the President signed into law the Veterans' Housing Act of 1970, Public Law 91-506. The new act was a milestone for the VA home loan program, making important

changes which greatly enhanced the viability of the loan guaranty and direct loan programs.

The law made seven major changes in these programs. It removed the delimiting dates on veterans' entitlement. It authorized a mobile home loan program. It authorized direct loans for veterans qualified for specially adapted housing grants irrespective of location. The law also eliminated the terminal date of the direct loan program. In addition, the law eliminated the funding fee for post-Korean veterans and authorized loans on condominium units and for refinancing loans.

The elimination of charging a funding fee to post-Korean veterans was a change rendered inevitable by events in Southeast Asia since 1965. The funding fee requirement was imposed by Public Law 89-358, in the interests of distinguishing between the "hot war" veterans of World War II and the Korean conflict and the "cold war" veterans of service after January 31, 1955.

Of all the changes made by the Veterans' Housing Act of 1970, the removal of the delimiting dates on veterans' entitlement had the most salutory effect. The expired unused entitlement of nearly 9 million World War II and Korean conflict veterans was revived. The entitlement of every eligible veteran remains available until used. A veteran's entitlement is now insulated against periodic intervals of stringency in the availability of mortgage capital.

The refinancing loan provision was born out of concern for veterans who had purchased homes at high interest rates. The reasoning behind the provision was that such veterans should have the opportunity to avail themselves of lesser interest cost when rates come down. This new authority, however, permits refinancing for any reason. There are millions of veterans who have built up substantial equities in their properties and who can now use their GI loans to cash in on these equities. The VA loan program now affords veterans the opportunity to realize cash by refinancing paid down loans and this gives them the means to make improvements in their homes, to pay for educating their children, and to accomplish other worthwhile purposes.

Taken as a whole, the Veterans' Housing Act of 1970 restructured the loan guaranty and direct loan programs so that the future of those programs will be much more active and dynamic.

The Veterans' Housing Act of 1974, enacted December 31, 1974, contained a number of provisions which further expanded VA home loan benefits.

Restoration of entitlement

The act makes it possible for a veteran who has used his GI loan benefit to regain the use of his entitlement provided the veteran has disposed of the property and the loan has been paid in full or another veteran has agreed to assume the outstanding balance on a GI loan and has consented to the use of his entitlement.

Restoration of entitlement was previously restricted by a requirement for a compelling reason for the veteran's disposition of the property, or loss of the property by condemnation or hazard. As a consequence of the elimination of the compelling reason requirement, over 4 million veterans whose GI home loans have been paid in full became potentially eligible for new loans.

Expanded automatic processing

Previously the law provided that only supervised lenders (those subject to State or Federal supervision and examination, such as savings and loan associations, banks, and insurance companies) could make VA loans without prior VA approval. Public Law 93-569 authorized VA to extend the automatic processing privilege to nonsupervised lenders which meet standards to be prescribed by VA.

Condominiums

The new act authorized VA to approve condominium projects for guaranteed loans without the previous stipulation that HUD must have, prior to VA guaranty of any loan in such a project, insured at least one loan in the project. This feature was also expected to generate new business of substantial volume.

Increases—specially adapted housing grant and guaranty

The specially adapted housing grant (made to assist severely disabled veterans in constructing or modifying their homes) was increased from $17,500 to $25,000. The maximum guaranty for conventionally constructed housing was raised to $17,500. These changes were made in recognition of the increasing costs of housing.

Mobile homes

The act removed the July 1, 1975, expiration date for VA's mobile home program and authorized the following increased loan maximums:

—$12,500 for singlewide mobile homes.

—$20,000 for doublewide units (maximum for doublewide and undeveloped lot was $27,500).

—The loan maturity for doublewide homes was set at 20 years.

Under the act VA received authority to guarantee loans for the purchase of used mobile homes which meet VA requirements for construction, design, general acceptability, and safety. VA may now guarantee loans for the purchase of mobile home lots in those cases where veterans already own mobile homes. These loans may include the cost of making necessary site preparations.

Farm and business loans

The act repealed VA's authority to guarantee loans for these purposes. (VA is still authorized to guarantee loans for the purchase or construction of farmhouses which veterans will occupy as their homes.) The act also amended the Federal Credit Union Act to permit credit unions to make GI mobile home loans at maturities set forth in the new law.

The Veterans Housing Amendments Act of 1976 (Public Law 94-324) made further refinements in the program. The act extended eligibility to veterans whose only service was between World War II and the Korean conflict, increased the maximum direct loan from $25,000 to $33,000, increased the guaranty on mobile home loans from 30 percent to 50 percent, and continued the direct loan revolving fund. The act also defined veterans with service after

January 31, 1955, eligible for housing benefits in chapter 37, separating the benefits for education purposes from housing eligibility, thus expressing the intent of Congress to continue the housing benefits for future veterans.

The Veterans' Housing Benefits Act of 1978 (Public Law 95-476) increased the maximum loan guaranty entitlement from $17,500 to $25,000 for home and condominium loans, and reduced the minimum service requirement for eligibility purposes for Vietnam-era veterans (August 5, 1964, to May 7, 1975) from 181 days to 90 days in order to equate Vietnam service with that performed in prior wartime periods. Authority to guarantee condominium loans was expanded to include units in a project or structure converted to a condominium. New authority was provided to guarantee or make loans to improve a dwelling or farm residence by installing solar heating, solar heating and cooling, or combined solar heating and cooling, or by application of a residential energy conservation measure. Also, the act authorized the Administrator to establish a higher interest rate for such energy conservation loans and for other home improvement loans. The specially adapted housing grant was increased from $25,000 to $30,000, and a number of changes were made to the mobile home program: Maximum loan limits were eliminated and instead a maximum guaranty was provided for mobile home loans of $17,500, similar to the $25,000 maximum guaranty arrangement for conventionally constructed home loans. The act removed the requirement that a veteran have maximum entitlement available for use in order to obtain a mobile home loan, specifying that a veteran could use remaining entitlement for mobile loan purposes provided the veteran has disposed of any previously acquired mobile home unit purchased with VA financing. Finally, the act increased the maximum term for a loan to purchase a singlewide mobile home or mobile home lot from 12 years and 32 days to 15 years and 32 days.

The Veterans' Disability Compensation and Housing Benefits Amendments of 1980 (Public Law 96-385) was the most recent legislation to make major changes in the program. The act increased the maximum loan guaranty entitlement from $25,000 to $27,500 for home and condominium loans. The maximum loan guaranty entitlement for mobile home purposes was similarly increased from $17,500 to $20,000. The act added a new loan purpose for the home and condominium loan program and the mobile home loan program. A veteran may now refinance his or her home, condominium, or mobile home loan currently guaranteed, insured, or made by the VA with a VA guaranteed loan for the purpose of reducing the interest rate payable on the loan. No additional charge is made against the veteran's entitlement as a result of a loan for the purpose of an interest rate reduction. The third major amendment made by the act authorized a new specially adapted housing grant of up to $5,000 for veterans with service-connected disabilities of blindness in both eyes or the anatomical loss or loss of use of both hands.

Thus, currently eligible veterans and service personnel may obtain loans for the following purposes:

—To buy a home.

—To buy a residential unit in a condominium project.

—To build a home.
—To repair, alter, or improve a home.
—To refinance an existing home loan.
—To buy a new or used mobile home and/or lot.
—To buy and improve a mobile home lot on which to place a unit owned and occupied by the veteran.
—To improve a home through installation of a solar heating and/or cooling system or other weatherization improvements.
—To refinance a loan currently guaranteed, insured, or made by the VA for the purpose of lowering the interest rate.

VETERANS' ADMINISTRATION NATIONAL CEMETERY SYSTEM

The National Cemetery System was established within the Veterans' Administration in accordance with the National Cemeteries Act of 1973 (Public Law 93-43), enacted June 18, 1973. Pursuant to this law, on September 1, 1973, the responsibility for 82 national cemeteries and 32 miscellaneous burial plots and monument sites, and the procurement of headstones and markers were transferred from the Army. In addition, the law added 21 cemeteries located at Veterans' Administration hospitals to the system.

Since 1973 the VA has designated eight new national cemetery sites. Five of these, Calverton, Long Island, N.Y.; Riverside, Calif.; Bourne, Mass.; Fort Custer, Mich.; Indiantown Gap, Pa.; and Quantico, Va, which will open on May 15, 1983, are open for burials. The other two—Fort Mitchell, Ala.; and a yet to be determined Florida site are expected to open between 1983 and 1987. In fiscal year 1981, the 2-acre Fort Meade, S. Dak. cemetery was transferred to the system.

Including the cemeteries recently announced for Alabama and Florida, the National Cemetery System is comprised of 110 cemeteries, located in 40 States and Puerto Rico. The system is administered within the VA by the Department of Memorial Affairs.

Grants for establishment, expansion and improvement of State veterans' cemeteries

Public Law 95-476, enacted October 18, 1978, authorizes a grant program of up to $5 million to assist the individual States in establishing, expanding, and/or improving State veterans' cemeteries. The act provides that the Administrator may make grants in an amount not to exceed 50 percent of the total value of the land and the cost of improvements with the remaining amount to be contributed by the State. The act further provides that no State may receive in any fiscal year a total amount in excess of 20 percent of the total amount appropriated for that fiscal year.

SUMMARY OF THE REPORTED BILL

I. MORTGAGE PAYMENT ASSISTANCE

Although the economy appears to be on an upward trend, many veterans are still suffering from the effects of the current long recession. As in other recessionary periods, characterized by prolonged high unemployment, mortgage delinquencies and foreclosures have grown steadily.

It is the committee's belief that some financial relief should be provided to assist veterans during this interim period of economic adversity.

The committee's bill is specifically formulated to help those veterans who, through no fault of their own and due to economic circumstances, are facing foreclosure proceedings as the result of unemployment, underemployment, or serious illness.

Unemployed/underemployed/recently reemployed veterans

Assistance under the reported bill may be afforded, in the Administrator's discretion, to veterans who are either unemployed or underemployed and to veterans who have recently been unemployed or underemployed and as a result have fallen behind in their mortgage payments. In any of the above cases, the assistance would be limited to those veterans who have fallen 6 or more months behind in their mortgage payments.

Advance to holder/assistance term may be increased if veteran makes partial payments

The assistance provided may take the form of one loan or a series of loans which will be disbursed directly to the holder of the primary loan, who is responsible for assuring that the veteran's obligation to repay the assistance is secured by a lien of record. The loan or total of loans may not exceed $8,400. The assistance may be applied against the veteran's mortgage obligation as either payment in full of each monthly installment, or, if supplemented by cash from the veteran's own resources, as partial payment of the monthly installment. Under the latter option, a veteran could be assisted for a longer period of time, although the $8,400 maximum would still apply. Increasing the period of time over which the assistance is provided would also afford the veteran a longer period of time, measured from the first assistance payment, to repay the assistance, as the veteran is provided 48 months from the date of the last advance to complete repayment to the Government. It should be noted that the Administrator, at his discretion, may require the veteran to make partial payments when the veteran's income and other resources indicate, in the Administrator's judgment, that the veteran can afford to do so. Similarly, in appropriate cases the Administrator may establish, initially or as a result of changed circumstances, that a sum less than the $8,400 statutory maximum is the maximum amount of assistance to be provided in a particular veteran's case.

No advance in cases where veteran does not have reasonable prospect for repayment

No assistance should be afforded in a case where the veteran has no reasonable prospect of repaying the assistance provided. The Administrator will determine whether or not the veteran has, in the Administrator's sole discretion, a reasonable prospect of both being able to resume full mortgage payments on the primary loan and being able to repay the assistance provided. Assistance under this section is not a grant; it is a secured loan which requires an analysis of the ability of the veteran to repay both obligations.

Security

The loan must be secured by a lien on the veteran's home, and the Administrator may require additional security, when he believes it to be available and appropriate. There is no requirement that the Administrator determine the value of the veteran's home or estimate the amount of equity the veteran may have in the home.

Maximum assistance/forbearance/ability to collect

The assistance available under this section would be available only once. A veteran who has obtained the maximum authorized benefits of temporary mortgage assistance ($8,400) may not thereafter receive additional benefits. Additionally, when a veteran has successfully resumed payments on the VA first mortgage he/she would have 48 months to repay the mortgage payment assistance loan under an agreement prescribed by the Administrator. The Administrator would be authorized to grant forbearance, in his discretion, where the veteran cannot meet the terms of the repayment agreement, and the Administrator may extend the term of payment beyond 48 months in cases where such forbearance would give the veteran an opportunity to successfully repay the mortgage payment assistance loan. However, the Administrator would be authorized to employ attorneys and to bring suit at any time to enforce collection of the repayment agreement, if necessary.

No reduction in guaranty liability

The Administrator's maximum liability under the guaranty on the primary loan would not be reduced by virtue of the holder having received the proceeds of a loan under the new section 1816A should the veteran, notwithstanding this assistance, still be unable to maintain payments on the primary loan. Since the assistance provided by the Administrator will have reduced or eliminated the prior delinquency on the primary loan, it is possible that the Administrator's ultimate claim payment might be less than would have been the case had assistance not been provided.

Effective date

Section 1816A becomes effective within 60 days of enactment. The committee expects that VA will have regulations in place in order to begin operation of the program on time. Because of the current economic emergency, it is critical that the VA be ready to begin administering the program immediately. Accordingly, the committee would anticipate that interim regulations will be issued for immediate effect without public comment. VA should request public comment on such interim regulations, and issue revised regulations incorporating public concerns as soon as feasible.

The committee wishes to make clear that no new money would be required to provide this assistance. This program would be funded out of existing revolving funds. If this program is implemented in the manner desired by the committee and most loans recouped, it should prove cost effective to the U.S. Government by substituting this mortgage payment advance for the high expenses currently incurred by the Veterans' Administration in paying

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claims of lenders, instituting the foreclosure procedures, and reselling acquired properties.

II. MANUFACTURED HOUSING LOANS

Manufactured housing has become increasingly sophisticated to the point where, in many cases, the distinction between a manufactured house and the traditional sitebuilt home has diminished.

Manufactured homes are built according to the National Manufactured Home Construction and Safety Standards. This is a uniform, national preemptive building code, developed and enforced by the Department of Housing and Urban Development. This assures that all manufactured homes are safe, durable, and long lasting.

The committee bill would authorize the Administrator to guarantee or refinance a manufactured home unit and lot as a conventionally built home under section 1810 of title 38, provided the unit is permanently affixed to the lot, and the unit is regarded as real property under State law. In taking this action, the committee notes the recent extension of the Federal Housing Administration's [FHA] basic single-family mortgage insurance program to provide financing to purchasers of manufactured homes on developed lots. Eligibility of manufactured housing real estate mortgage loans for FHA financing is expected to improve the range for many consumers of affordable housing alternatives to sitebuilt homes.

The popularity and success of the Veterans' Administration existing manufactured home personal property program is evidence of the growing acceptance of manufactured homes and the important part such homes have in satisfying the housing needs of veterans. Since the enactment of Public Law 91-506 in 1970 whereby the Congress authorized the Veterans' Administration to guarantee loans on manufactured homes and home and lot combinations, there have been over 1 billion dollars' worth of manufactured home loans guaranteed by the VA. In fact, the VA has assisted over 67,000 veterans in purchasing manufactured homes since the program began.

The committee wishes to make clear that in providing this new authority to the Administrator to guarantee a real estate mortgage loan for the purchase of a manufactured home permanently affixed to a lot under section 1810 of title 38, U.S.C., the current authority of the Administrator to guarantee a manufactured home real property loan or a combination real and personal property loan under section 1819 of title 38, U.S.C. is not intended to be diminished in any way. The committee recognizes that the status of a manufactured home as real versus personal property is not altogether clear in many States. The reported bill, therefore, would permit a lender to have the option of requesting guarantees under section 1810 or under 1819 as a traditional-manufactured home loan. This would assure that the housing needs of veterans who choose to purchase manufactured homes can be well met.

III. SUBSTITUTION OF A VETERAN'S HOUSING LOAN ENTITLEMENT

When the Servicemen's Readjustment Act of 1944 was enacted into law, it granted veterans a one-time loan guaranty entitlement of $2,000. The law was amended in 1950 to permit restoration of

entitlement in certain cases if, through no fault of their own, the property was destroyed or disposed of and again in 1974, at which time the criteria for such restoration was greatly expanded by the Congress.

Presently, section 1802(b) of title 38, United States Code, permits home loan guaranty entitlement to be restored when either of two conditions are met.

(1) The property which secured the prior loan is disposed of by the veteran or destroyed by fire or natural hazard, and the prior loan is paid in full without loss to the Administrator. Any such loss must be repaid; or

(2) Another veteran, who fully qualifies for the guaranty, agrees to assume the outstanding loan and to substitute his or her VA entitlement for that of the original veteran. (The law states, however, that the new veteran must be "an immediate veteran-transferee".)

Mortgage assumptions have become more prevalent in this highly mobile society and it is not unusual for loans to be assumed by two or more successive purchasers. Statistics indicate that an increasing number of requests are being received for substitution of entitlement where the veteran assuming the loan is not an immediate transferee of the original veteran.

Additionally, where a spouse has been awarded a home through divorce proceedings and resells the property to a veteran at a later date on an assumption, restoration of the first veteran's loan guaranty entitlement is not legally possible.

There appears to be no logical reason to preclude substitution of entitlement merely because the assuming veteran is not an "immediate transferee", and the committee bill, by virtue of a small technical amendment, would liberalize the substitution of entitlement policy.

IV. FIVE-YEAR EXTENSION OF STATE CEMETERY GRANT PROGRAM

Many important improvements have been made in the National Cemetery System since the enactment of Public Law 93-43, which transferred jurisdiction of all federally owned cemeteries, except Arlington National Cemetery, from the Department of the Army to the Veterans' Administration.

One of these improvements, authorized the VA to assist individual States in establishing, expanding and/or improving veterans cemeteries. Section 1008 of title 38, United States Code, makes it possible for States and the Federal Government to share their mutual obligation toward meeting the burial needs of our Nation's veterans.

The VA has made a continous and aggressive effort to publicize the program over the last several years and it is anticipated that program funds will be fully utilized. So far, 11 States, including the territory of Guam, have submitted 16 applications for Federal assistance in the cost of establishing, expanding or improving State veterans' cemeteries. Twenty-four additional States have expressed interest and some plan to submit applications for Federal assistance. Funds totaling $6.3 million have been obligated in support of

13 applications, and 10 grants totaling $4.1 million, have been awarded.

Since the authority for the State cemetery grant program expires next year, the committee bill would extend the authority for an additional 5 years. The establishment of State veterans' cemeteries complements the National Cemetery System enabling veterans to be interred in their State of residence.

V. CONTRIBUTIONS TO LOCAL AUTHORITIES FOR SAFE INGRESS AND EGRESS FROM NATIONAL CEMETERIES

There is no existing statutory authority under which the Administrator of Veterans' Affairs may negotiate to contract with States, counties, municipalities, private firms, or private citizens for the purpose of making contributions to improve public or private lands, roads or walks contiguous with or in the immediate vicinity of national cemeteries when such improvements are for the benefit or greater good of the cemeteries. Conditions that exist outside the cemeteries are now beyond the jurisdiction of the Administrator.

Although in section 5008 of title 38, United States Code, the Administrator has the authority to take similar actions where hospitals and domiciliary facilities are involved, the language in the code does not cover cemeteries. Nor is the language comprehensive enough to cover the many types of situations involving national cemeteries where it would be desirable and necessary to negotiate a contract with outside agencies or persons, as may be appropriate to improve safety.

The need for authorizing legislation is necessary for safety reasons. It has come to the committee's attention on several occasions in the past, and recently in connection with the development of two regional cemeteries—Indiantown Gap, Pa., and Quantico, Va. Dangerous conditions exist near the planned entrances to these cemeteries, and the enactment of the reported bill could alleviate these problems.

The committee bill would provide the Administrator with authority to make contributions to local authorities for the construction of traffic controls, road improvements, or other devices adjacent to a national cemetery, if such is considered necessary for safety reasons.

SECTION-BY-SECTION ANALYSIS OF THE REPORTED BILL

SECTION 1

This section of the bill provides that it may be cited as the "Veterans' Housing Benefits Amendments of 1983."

SECTION 2

Subsection (a)(1) of the bill adds a new section 1816A to chapter 37 of title 38, United States Code, which authorizes the Administrator of Veterans' Affairs to make loans to veterans to refinance delinquent home loans.

Subsection (a) of the new section 1816A authorizes the Administrator to assist a veteran who is unemployed or has suffered a substantial reduction in household income, and who has a previously

guaranteed VA housing loan (the "primary loan") that is at least 6 months delinquent, by making a loan to such veteran. The veteran must reside in the property securing the primary loan. A surviving spouse of a veteran who was a co-obligor on the primary loan is also eligible for assistance. New section 1816A(b) provides that the loan will be advanced to the holder of the primary loan to be applied first to delinquent payments, then to future payments becoming due. A maximum of $8,400 may be loaned to one veteran. New section 1816A(c) states that loans under the new section will bear interest at the lesser of the rate on the primary loan, or VA guaranteed home loan interest rate in effect when the first new loan is made. Such new loans will be secured. New section 1816A(d) requires the new loan to be repaid within 48 months after all assistance has been provided. A veteran may be required to make partial payments on the primary loan during the period when assistance is being provided. New section 1816A(e) authorizes the Administrator to employ attorneys to collect delinquent loans made under the new section. New section 1816A(f) exempts all decisions of the Administrator under section 1816A from judicial review. New section 1816A(g) limits the making of loans under the new section to 2 years from its effective date.

Subsection (a)(2) makes a conforming amendment to the table of sections for chapter 37 of title 38 to reflect the new section.

Subsection (b) makes new section 1816A effective 60 days after enactment.

SECTION 3

Subsection (a) authorizes the Administrator to guarantee a loan to purchase or refinance a manufactured home and lot, which home is permanently affixed to the lot, as a conventional home loan under section 1810 of title 38, rather than as a manufactured home loan under section 1819. The manufactured home securing such loan must be considered as real property under State law.

Subsections (b) and (c) merely make conforming amendments.

Subsection (d) makes the provisions dealing with manufactured housing loans effective October 1, 1983.

SECTION 4

This section deletes the requirement that a veteran assuming another veteran's guaranteed home loan be "an immediate" transferee in order for the first veteran to have his or her home loan entitlement restored.

SECTION 5

This section amends section 1008(a)(2) of title 38, United States Code, by authorizing the appropriation of such sums as may be necessary for fiscal year 1985 and for each of the 4 succeeding fiscal years for the purpose of making grants under the State cemetery grant program instituted by Public Law 95-476.

SECTION 6

Subsection (a)(1) amends chapter 24 of title 38, United States Code, by adding a new section 1009, which authorizes the Veterans' Administration to make contributions to local authorities for construction of traffic controls, road improvements or other devices adjacent to a national cemetery if considered necessary to facilitate safe ingress or egress.

Subsection (a)(2) makes a conforming amendment to the table of sections for chapter 24.

Subsection (b) makes the new section 1009 effective October 1, 1983.

OVERSIGHT FINDINGS

An oversight hearing on the National Cemetery System was held on April 14, 1983, for the purpose of reviewing the Veterans' Administration National Cemetery System, and in particular the Veterans' State cemetery grant program. This is a highly successful program and authorizing legislation is necessary in order to extend the program for another 5 years. Currently, 11 States have submitted 16 applications for Federal assistance, while an additional 24 States have expressed an interest in submitting applications. The establishment of State veterans' cemeteries complements the National Cemetery System and makes it possible for every veteran, who so wishes, to be buried in a cemetery in or near his or her home State. It was also made evident at this hearing that specific authorization is required in order to undertake the type of construction projects deemed necessary to improve safety conditions at the entrance of national cemeteries.

An oversight hearing on the VA home loan guarantee program was held on April 21, 1983. This hearing demonstrated that although the economy appears to be on an upward trend, many unemployed or underemployed veterans are still suffering from the effects of the current prolonged recession. As such, mortgage delinquencies and foreclosures have grown steadily and affirmative action by the Congress is needed to provide relief to assist veterans during this interim period of economic adversity. This hearing also illustrated the beneficial aspects of guaranteeing manufactured housing which is permanently affixed to a lot on the same basis as conventional homes in those jurisdictions where manufactuured housing is considered to be real property. The hearing also showed an equitable need for restoring VA loan guarantee entitlement beyond the case of an "immediate veteran transferee" in those cases where the last purchaser is a veteran with loan guarantee entitlement.

No oversight findings have been submitted to the committee by the Committee on Government Operations.

BUDGET STATEMENT

The following cost estimate has been received from the Congressional Budget Office on the reported bill:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, D.C., May 11, 1983.

Hon. G. V. MONTGOMERY,
Chairman, Committee on Veterans' Affairs,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to Section 403 of the Congressional Budget Act of 1974, the Congressional Budget Office has prepared the attached cost estimate for H.R. 2948, the Veterans' Housing Benefits Amendments of 1983, as ordered reported by the House Committee on Veterans' Affairs, May 10, 1983.

Should the Committee so desire, we would be pleased to provide further details on this estimate.

Sincerely,

ALICE M. RIVLIN, *Director.*

CONGRESSIONAL BUDGET OFFICE—COST ESTIMATE

1. Bill number: H.R. 2948.
2. Bill title: Veterans' Housing Benefits Amendments of 1983.
3. Bill status: As ordered reported by the House Committee on Veterans' Affairs, May 10, 1983.
4. Bill purpose: To authorize the Administrator of Veterans' Affairs to provide mortgage assistance to veterans with loans guaranteed by the Veterans' Administration [VA] in order to avoid foreclosure of such loans, and for other purposes.
5. Estimated cost to the Federal Government:

[By fiscal years, in thousands of dollars]

	1984	1985	1986	1987	1988
Budget authority	0.0	3.1	3.3	3.4	3.5
Outlays	−1.8	−2.1	3.9	0.5	−0.9

The effects of this bill fall in budget function 700.

Basis of estimate: The following section-by-section cost analysis only addresses those sections of the bill that would be expected to have a significant budgetary impact.

Section 3: This section would authorize the establishment of a new program of mortgage assistance for veterans with VA-insured mortgages that are at risk of foreclosure. The assistance would be made in the form of loan advance to the veterans of up to $8,400. Eligibility would be limited to veterans whose VA-insured mortgages are at least 6 months in arrears, but who are determined by the Administrator to be capable of resuming full monthly payments on their mortgage in a reasonable period of time with the assistance of an advance.

The advances could be used to pay all amounts past due on a mortgage and some future mortgage payments. The advance would bear interest at the current rate set for VA-insured loans or at the rate for the primary loan, whichever is less. The veterans would be required to repay the advance in full no later than 48 months after the end of the period for which assistance is provided. No advances

under this authority could be provided after a 2-year period extending from the effective date. An effective date of October 1, 1983, was assumed.

[By fiscal years, in millions of dollars]

	1984	1985	1986	1987	1988
Direct loan revolving fund:					
Direct loan obligations	12.7	12.4	0.0	0.0	0.0
Offsetting collections	−.3	−2.9	−4.5	−4.6	−4.3
Net outlays	12.4	9.5	4.5	−4.6	−4.3
Loan guaranty revolving fund: Outlays	−14.2	−12.2	6.4	1.9	.0
Net budgetary impact: Outlays	−1.8	−2.7	1.9	−2.7	−4.3

This bill contains no language addressing the manner in which the new advances would be financed or the disposition of the repayments of those advances. Based on discussions with the staff of the House Committee on Veterans' Affairs, this estimate assumes that it is the intent of the committee to have outlays for the advances and collections of repayments made from the direct loan revolving fund. Staff of the VA General Counsel's office has agreed that this is the manner in which VA would anticipate financing the program. Although this would entail future obligations from the direct loan revolving fund, the unobligated balance of the fund should be sufficient to cover these obligations. It is, therefore, expected that no additional appropriation would be necessary.

Recent appropriations for the direct loan revolving fund, however, have placed a $1 million ceiling on gross obligations from the fund for direct loans and restricted such loans to those made in connection with specially adapted housing. This estimate assumes that these restrictions would be sufficiently eased in the 1984 and 1985 appropriations to accommodate the provisions of this bill.

The following assumptions were made in connection with the above estimate:

—Veterans who have been unemployed but are currently reemployed would be eligible for advances.

—Advances would bear an average interest rate of 11 percent. Interest would not be charged until repayment begins.

—Sixty percent of advances would ultimately be repaid. The assumed 40 percent default rate is based on the VA's experience with refunded loans.

—The average mortgage for which an advance would be made was assumed to be 7 months delinquent.

—The number of advances made would be 20 percent of the number of properties estimated to be acquired by the VA as a result of foreclosures during fiscal years 1984 and 1985.

—Recipients of advances would begin repayment 6 months after receipt of the first advance.

According to VA information, the average principal value for all mortgages insured by the agency from 1978 to 1982 was approximately $45,900, and the average interest rate over the same period was 11.1 percent. These were assumed to be the terms of the average mortgage for which an advance would be made under this bill.

A 30-year conventional mortgage under these terms would carry a monthly payment for principal, interest, taxes, and insurance of approximately $515. If such a mortgage were 7 months delinquent, the arrearage plus six future monthly payments would total about $6,700. This was assumed to be the average advance amount in 1984 and was inflated to $6,900 for 1985.

An advance of this size being repaid over a 4-year period would result in a monthly payment of $173. This would represent a 33.6-percent increase in the total monthly payment of the average mortgage. It is expected that this would be a prohibitive financial burden for most recently unemployed veterans, who are likely to have allowed most other debts to accumulate before defaulting on their mortgages. For this reason, it was assumed that the VA would apply rather strict standards in evaluating applications for advances. It was estimated that only 1,900 advances would be made in 1984 and 1,800 in 1985.

It was further assumed that the mortgages for which advances are made would otherwise result in foreclosure and the acquisition by the VA of the securing property. In the above estimate the impact shown for the loan guaranty revolving fund represents the estimated effect on that fund of delaying approximately 1,500 foreclosures and avoiding altogether about 2,200 others because of the loan advances. The average cost to the VA for acquiring and selling a property after foreclosure was approximately $7,600 in 1982. This cost was inflated in the outyears by the GNP deflator in CBO's baseline economic assumptions of January 21, 1983.

Section 5: This section would extend through fiscal year 1989 the authority of the VA to make grants to States to assist the States in establishing, expanding, or improving veterans' cemeteries owned by the States. The section would authorize the appropriation of such sums as may be necessary in each fiscal year.

[By fiscal years, in millions of dollars

	1984	1985	1986	1987	1988
Estimated authorization level	0.0	3.1	3.3	3.4	3.5
Estimated outlays	0.0	0.6	2.0	3.2	3.4

This estimate assumes that the amount requested in the President's 1984 budget, as increased by anticipated inflation, would be appropriated in each of fiscal years 1985–88. It was further assumed that the current appropriation language allowing the funds to remain available for 3 years would be continued. Outlays were estimated according to historical spending patterns.

6. Estimated costs to State and local governments: Section 5 of this bill would extend for 5 years the VA program that provides grants to States for establishing, expanding, or improving State-owned veterans' cemeteries. Participation by a State in this program is wholly voluntary; but, if a State chooses to participate, the State must contribute at least 50 percent of the total cost of the cemetery project. If, however, State-owned land is dedicated to the cemetery, the value of that land may be counted toward up to 50 percent of the State's contribution. Thus, a State's cash outlay re-

quirement in the program could be as low as 25 percent of the total cost of a cemetery project.

Funds are currently committed by the VA for grants to States ranging in amount from $60,000 to $600,000, with an average grant amount of about $250,000. Although data are not available on the actual amount of State contributions toward these grants, it would be expected that the State contribution toward a grant of $250,000 could range from $125,000 to $300,000. The CBO estimate of this provision projects total Federal grant outlays through 1988 of $9.2 million. State contributions toward this level of grants would be expected to range between $4.6 and $11.0 million.

7. Estimate comparison: None.
8. Previous CBO estimate: None.
9. Estimate prepared by: K. W. Shepherd.
10. Estimate approved by:

C. G. NUCKOLS
(For James L. Blum,
Assistant Director for Budget Analysis).

COST

The committee agrees with the Congressional Budget Office cost estimate of the reported bill.

INFLATIONARY IMPACT STATEMENT

The reported bill will have no inflationary impact. The funding for the mortgage payment assistance provision of the bill would be taken from the direct loan revolving fund.

AGENCY REPORTS

There follows the views of the Veterans Administration on legislation similar to the reported bill:

VETERANS' ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR OF VETERANS' AFFAIRS,
Washington, D.C., April 28, 1983.

Hon. G. V. "SONNY" MONTGOMERY,
Chairman, Committee on Veterans' Affairs,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This will respond to your request for a report by the Veterans' Administration on H.R. 2618, 98th Congress, a bill "To amend chapter 37 of title 38, United States Code, to authorize the Administrator of Veterans' Affairs to provide mortgage assistance to veterans with loans guaranteed by the Veterans' Administration in order to avoid foreclosure of such loans."

For the reasons stated below, the Administration strongly opposes enactment of H.R. 2618.

The bill proposes to add a new subsection (c) to section 1816 of title 38 which would grant the Administrator discretionary authority to assist certain veteran homeowners who are in temporary financial distress.

The assistance under H.R. 2618 could be provided to a veteran who currently owns and occupies a home which secures a VA guar-

anteed loan. The veteran must be unemployed or have suffered a substantial reduction in household income. The veteran's current VA loan (referred to as the "primary loan" in the bill) must be at least 6 months in default, but the veteran must have a reasonable prospect of resuming full payments on the primary loan within 6 months.

A surviving spouse of a deceased veteran would also be eligible for assistance under this bill if such surviving spouse was a co-obligor on the primary loan.

The bill would authorize the Administrator to make advances totaling not more than $8,400 on behalf of a veteran to the holder of the veteran's current VA home loan. The holder of the primary loan would use this advance to bring the primary loan current. Any remaining amount of the advance would be retained by the holder to be applied each month to future loan payments, if necessary. The bill appears to envision that VA would, when feasible, provide a holder with sufficient funds to bring the loan current, plus additional funds necessary to make six new monthly payments. When possible, the veteran would be expected to make partial payments during this initial period, with the VA's advance covering the remainder of the payments due.

Amounts advanced by VA would be a debt owing to the United States by the veteran. This debt will accrue interest at the rate in effect at the time of the advance for VA loans to purchase homes, or the rate on the primary loan, whichever is less. The advance will be secured by a lien on the property securing the primary loan. The veteran would be required to repay the advance within 54 months from the date of the advance. Assuming the advance covered six new monthly payments, the veteran would therefore have 4 years following completion of this assistance to repay the debt. In the event a veteran defaulted in his or her obligation to repay this advance, VA would be authorized to employ attorneys to institute collection action in State courts.

Funds for these advances would come from the Direct loan revolving fund. Amounts repaid would be returned to that fund.

Decisions of the Administrator regarding granting assistance under H.R. 2618 would be exempt from judicial review.

H.R. 2618 would take effect 60 days following enactment. Advances under this measure could be made only for 2 years following the effective date.

When a VA guaranteed loan is reported as being in default, VA makes every reasonable effort to work with the veteran and holder to prevent foreclosure when possible. The most recent economic indicators reveal that a new Federal assistance program is not warranted. Further, establishing a program to assist veterans whose home loans are in default would set an undesirable precedent for providing Federal assistance to other similarly situated individuals or groups.

If, despite the Administration's opposition to this measure it should receive favorable committee action, we would suggest two technical changes to the bill. Paragraph (3)(B) of the new subsection (c) proposed by H.R. 2618 permits VA to make more than one advance on behalf of a particular veteran. Other provisions of the bill key repayment terms to the time of "the advance." The assist-

ance program would be easier to administer if all advances were repaid at one interest rate and with one repayment term. Accordingly, we suggest that "first" be inserted immediately before "advance" in paragraph (4)(A), and that "last" be inserted immediately before "advance is made" in paragraph (4)(C).

We estimate enactment of H.R. 2618 would result in a 5-year net savings of approximately $14.5 million. The estimated cost per year is as follows:

[In thousands of dollars]

Fiscal year	Loan guaranty revolving fund	Direct loan revolving fund	Total
1984	−$62,530	$12,740	−$49,790
1985	−39,180	10,220	−28,960
1986	26,460	−5,040	21,420
1987	26,460	−5,040	21,420
1988	26,460	−5,040	21,420
Total	−22,330	7,840	−14,490

We have been advised by the Office of Management and Budget that there is no objection to the submission of this report to your Committee and that enactment of H.R. 2618 would not be in accord with the program of the President.

Sincerely,

D. L. CUSTIS, M.D.
(For Harry N. Walters, Administrator).

VETERANS' ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR OF VETERANS AFFAIRS,
Washington, D.C., April 27, 1983.

Hon. G. V. "SONNY" MONTGOMERY,
Chairman, Committee on Veterans' Affairs,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This will respond to your request for a report by the Veterans' Administration on H.R. 2664, 98th Congress, a bill "To amend title 38, United States Code, to expand the availability of loans guaranteed by the Veterans' Administration for the purchase of manufactured homes that are permanently affixed to a lot."

For the reasons stated below, the Veterans' Administration favors enactment of H.R. 2664.

Under current law, a loan to purchase a "home" is guaranteed for up to 60 percent of the loan amount, not to exceed $27,500. The maturity of such loan may be up to 30 years and 32 days. A loan to purchase a manufactured home, including a lot for such manufactured home, is guaranteed under section 1819 of title 38, and is subject to different terms. For example, the guaranty is for 50 percent of the loan amount, up to a maximum guaranty of $20,000. The loan term may not exceed 20 years and 32 days in the case of a single-wide manufactured home plus lot, or 25 years and 32 days in the case of a double-wide unit plus lot. The interest rate set by the Administrator for a manufactured home loan is generally higher than for a conventionally built home loan.

H.R. 2664 proposes for VA to guarantee a loan to purchase a manufactured home that is permanently affixed to the lot in the same manner in which a loan for a conventionally built home is guaranteed under section 1810 of title 38.

VA supports the concept behind H.R. 2664. In certain states a manufactured home which is permanently affixed to the realty is treated as real property rather than personal property. Some manufactured homes are durable enough to last well beyond the 30-year term for a loan to purchase a conventionally built home, and will retain sufficient value to adequately secure the loan. In such instances it appears reasonable to treat the loan in the same manner as other loans under section 1810. Loans guaranteed under H.R. 2664 would be subject to all the terms, conditions, and limitations currently contained in the VA Regulations pertaining to real estate loans guaranteed under section 1810.

VA would recommend that the new section 1810(a)(9), to be added under subsection (a)(1) of the first section of the bill, be amended by inserting at the end a new clause (C) as follows:

"(C) A loan may not be guaranteed under this paragraph unless the manufactured home purchased, after being permanently affixed to the lot, is considered to be real property under the laws of the state where it is located."

We would further note three technical corrections. We believe the reference to section 1819(e) in the new section 1810(a)(9)(B)(ii), added by subsection (a)(1) of the first section of the bill, is in error, since section 1819(e) does not specifically pertain to refinancing loans. In addition, we note that subsection (c) of the first section of the bill proposes to amend section 1903(c)(3) of title 38. We believe the section being amended should be 1803(c)(3). Finally, subsection (c)(2) of the first section of the bill proposes to insert certain language after the word "section" in what we believe should be section 1803(c)(3) of title 38. The word "section" appears several times within section 1803(c)(3), and we believe that the proposed addition does not belong each place "section" appears.

VA estimates that the costs associated with H.R. 2664 would be nominal.

Advice has been received from the Office of Management and Budget that there is no objection to the presentation of this report on H.R. 2664 from the standpoint of the Administration's program.

Sincerely,

EVERETT ALVAREZ, Jr.
(For Harry N. Walters, Administrator).

VETERANS' ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR OF VETERANS AFFAIRS,
Washington, D.C., March 25, 1983.

Hon. THOMAS P. O'NEILL, Jr.,
Speaker of the House of Representatives,
Washington, D.C.

DEAR MR. SPEAKER: Enclosed is a draft bill to permit substitution of a veteran's housing loan entitlement when the veteran-transfer-

ee is not an immediate transferee. I request that this measure be introduced and promptly enacted.

The Servicemen's Readjustment Act of 1944 originally granted a veteran $2,000 of loan guaranty entitlement. No provision was made for a veteran to regain previously-used entitlement. The Housing Act of 1950 [Pub. L. No. 475, 81st Cong., 2d Sess., § 301(a), 64 Stat. 48, 74 (1950)] amended the law to permit the Administrator to restore a veteran's home loan entitlement if the property was destroyed or "disposed of because of . . . compelling reasons devoid of fault on the part of the veteran. . . ."

In 1974, the Congress recognized "the fact that we live in a highly mobile society and also that many veterans desire or find the need for a different or larger house for personal reasons." S. Rep. No. 1344, 93d Cong., 2d Sess. 10 (1974). Accordingly, the Congress greatly expanded the circumstances under which previously-used home loan entitlement could be restored when it enacted the Veterans Housing Act of 1974 [Pub. L. No. 93-569, § 3, 88 Stat. 1863 (1974)].

At present, section 1802(b) of title 38, United States Code, permits home loan entitlement to be restored when either of two conditions are met. Under the first method, the property which secured the prior loan must have been disposed of by the veteran or destroyed by fire or natural hazard, and the prior loan must have been paid in full. If the Administrator has suffered a loss on such a loan, that loss must have been paid in full.

A veteran's home loan entitlement may also be restored when another veteran agrees to assume the outstanding loan and to substitute his or her VA home loan entitlement for that of the original veteran. The new veteran must be found by VA to be fully qualified for the loan. The law provides, however, that the new veteran must be "an immediate veteran-transferee."

We are proposing to eliminate the requirement that the veteran-transferee be an "immediate" transferee.

The sale of a home with the purchaser assuming the existing mortgage loan is becoming more common. The fact that VA guaranteed loans are freely assumable is an important feature of this type of financing. The substitution of entitlement feature now in the law has enabled veterans to take advantage of the assumability feature of the VA loan as well as to benefit by being able to obtain a new home with VA financing. Loans are often assumed by two or more successive purchasers, and an increasing number of requests are being received for substitution of entitlement where the veteran assuming the loan is not an immediate transferee of the original veteran. Another fact pattern that VA is seeing with increasing frequency involves a marital breakup. A home purchased by a veteran and the veteran's spouse may be awarded to the spouse in a divorce. Some time after the divorce, the former spouse sells the property to a veteran on an assumption. Since the new veteran is not the original veteran's immediate transferee, restoration of the first veteran's home loan entitlement is not legally possible. We see no logical reason to preclude substitution of entitlement merely because the assuming veteran is not an "immediate" transferee.

Enactment of this proposal will have no significant budget impact.

The Office of Management and Budget advises that there is no objection to submission of the draft bill to the Congress from the standpoint of the Administration's program.

Sincerely,

HARRY N. WALTERS, *Administrator.*

Enclosure.

A BILL To amend title 38, United States Code, to permit substitution of a veteran's housing loan entitlement when the veteran-transferee is not an immediate transferee

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 1802(b)(2) of title 38, United States Code, is amended by striking out "an immediate" and inserting in lieu thereof "a".

VETERANS' ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR OF VETERANS AFFAIRS,
Washington, D.C., March 25, 1983.

Hon. THOMAS P. O'NEILL, Jr.,
Speaker of the House of Representatives,
Washington, D.C.

DEAR MR. SPEAKER: There is transmitted herewith a draft bill, "To amend subsection 1008(a)(2) of title 38, United States Code, to authorize to be appropriated such sums as deemed appropriate for fiscal year 1985 and for each of the four succeeding fiscal years." Presently, subsection 1008(a)(2) authorizes the appropriation of $5,000,000 for fiscal year 1980 and for each of the four succeeding fiscal years to fund the State cemetery grant program instituted by Public Law 95-476. In order to continue to implement the program, the draft bill would authorize appropriations to fund this program for fiscal year 1985 through fiscal year 1989. It is requested that the bill be referred to the appropriate committee and that it be favorably considered for enactment.

The Veterans Administration (VA) has made a continuous and aggressive effort to publicize the State cemetery grant program. Currently, 11 States have submitted 16 applications for Federal assistance in establishing, expanding or improving State veterans' cemeteries while an additional 24 States have expresssed an interest in submitting applications. It is anticipated that the program will be fully utilized.

Section 1008 of title 38 makes it possible for the States and Federal Government to share their mutual obligation toward meeting the burial needs of our Nation's veterans. The establishment of State veterans' cemeteries will complement those cemeteries already established or under construction in the National Cemetery System and will make it possible for every veteran, who so wishes, to be buried with his comrades-in-arms in a cemetery in his home State.

The total cost of the proposed 5-year extension would depend on the level of appropriation and the amount of State requested assistance.

The VA believes that the extension of this program will be beneficial to veterans and the Nation. It is with this purpose in mind that we submit this legislation.

We are advised by the Office of Management and Budget that the enactment of this draft bill would be in accord with the program of the President.

Sincerely,

HARRY N. WALTERS, *Administrator.*

Enclosure.

A BILL To amend title 38, United States Code, to provide for a 5-year extension to permit States to apply for Federal aid in establishing, expanding or improving State veterans' cemeteries

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Chapter 24 of title 38, United States Code, is amended by adding at the end of the first sentence of subsection (a)(2) of section 1008 the following new sentence:

"There is also authorized to be appropriated such additional sums as shall be deemed appropriate for fiscal year 1985 and for each of the four succeeding fiscal years for the purpose of the preceding sentence of this subsection (a)(2)."

SEC. 2. This Act shall become effective upon the date of enactment.

SECTION-BY-SECTION ANALYSIS OF A NEW DRAFT BILL

A BILL To amend title 38, United States Code, to extend the present five fiscal years appropriation authorization contained therein for an additional five fiscal years

SECTION 1

Section 1 of the bill would amend Chapter 24 of title 38 by adding to subsection (a)(2) of section 1008 an additional sentence which would authorize the appropriation of such additional sums as shall be deemed appropriate for fiscal year 1985 and for each of the four succeeding fiscal years for the purpose of making grants under the State cemetery grant program instituted by Public Law 95-476.

SECTION 2

Under this section the amendments to Chapter 24 of title 38 would be effective on the date of enactment.

VETERANS' ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR OF VETERANS' AFFAIRS,
Washington, D.C., March 10, 1983.

Hon. THOMAS P. O'NEILL, Jr.,
Speaker of the House of Representatives,
Washington, D.C.

DEAR MR. SPEAKER: There is transmitted herewith a draft bill, "To amend title 38, United States Code, to authorize the Administrator to make contributions for construction projects on land adjacent to national cemeteries in order to facilitate safe ingress or

egress." It is requested that the bill be referred to the appropriate committee and that it be favorably considered for enactment.

The draft measure, which would amend title 38 by adding section 1009 to chapter 24, would authorize the Veterans' Administration to make contributions to local authorities for the construction of traffic controls, road improvements or other devices adjacent to a national cemetery if considered necessary to facilitate safe ingress or egress.

It has become evident, in administering the national cemetery system, that specific statutory authorization is required in order to undertake the type of construction projects deemed necessary to improve safety conditions at the entrance to national cemeteries. Under current law, in the absence of express statutory authority, such requisite construction projects are generally prohibited as a result of the well-established rule which prohibits the Government's expenditure of appropriated funds for the permanent improvement of private property. Although exceptions to that rule have been recognized by the Comptroller General and have been applied by the Veterans' Administration to justify a limited number of improvements to private property adjacent to national cemeteries, we believe a specific statutory authorization under which we believe a specific statutory authorization under which this Agency could assist localities in constructing such needed improvements would be a more satisfactory means of achieving these results. The proposed legislation, in our opinion, addresses and resolves these concerns.

It should be noted that section 5008 of title 38, United States Code, with language identical to that proposed here, presently authorizes the Administrator to make contributions to local authorities for construction projects adjacent to Veterans Administration medical facilities if considered necessary for safe ingress or egress.

We believe it is incumbent upon the Veterans Administration to provide and maintain the safest conditions at our national cemeteries and, where necessary, to take reasonable steps to minimize or, if possible, eliminate dangers to visitors and cemetery employees. It is with this object in mind that we submit this legislation.

The enactment of the draft bill will result in an estimated cost of $500,000 over the first five fiscal years. A summary of the cost estimate by fiscal year follows:

Fiscal year:	*Administrative cost*
1984	$100,000
1985	100,000
1986	100,000
1987	100,000
1988	100,000
Total	500,000

We are advised by the Office of Management and Budget that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely,

HARRY N. WALTERS, *Administrator.*

A BILL To amend title 38, United States Code, to authorize the Administrator to make contributions for construction projects on land adjacent to national cemeteries in order to facilitate safe ingress or egress

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Chapter 24 of title 38, United States Code, is amended by—

(a) adding at the end thereof the following new section:

"§1009. Contributions to local authorities.

"The Administrator may make contributions to local authorities toward, or for, the construction of traffic controls, road improvements, or other devices adjacent to a national cemetery if considered necessary for safe ingress or egress;" and

(b) inserting at the end of the table of sections at the beginning of such chapter—

"1009. Contributions to local authorities."

SEC. 2. This Act shall become effective on the date of enactment.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of Rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

TITLE 38, UNITED STATES CODE

* * * * * * *

PART II. GENERAL BENEFITS

* * * * * * *

CHAPTER 24—NATIONAL CEMETERIES AND MEMORIALS

Sec.

1000. Establishment of National Cemetery System; composition of such system; appointment of director.
1001. Advisory Committee on Cemeteries and Memorials.
1002. Persons eligible for interment in national cemeteries.
1003. Memorial areas.
1004. Administration.
1005. Disposition of inactive cemeteries.
1006. Acquisition of lands.
1007. Authority to accept and maintain suitable memorials.
1008. Aid to States for establishment, expansion, and improvement of veterans' cemeteries.
1009. Contributions to local authorities.

* * * * * * *

§ 1008. Aid to States for establishment, expansion, and improvement of veterans' cemeteries

(a)(1) Subject to subsection (b) of this section, the Administrator may make grants to any State to assist such State in establishing, expanding, or improving veterans' cemeteries owned by such State.

Any such grant may be made only upon submission of an application to the Administrator in such form and manner, and containing such information, as the Administrator may require.

(2) There is authorized to be appropriated $5,000,000 for fiscal year 1980 and for each of the four succeeding fiscal years, *and such sums as may be necessary for fiscal year 1985 and for each of the four succeeding fiscal years,* for the purpose of making grants under paragraph (1) of this subsection.

* * * * * * *

§ 1009. Contributions to local authorities

The Administrator may make contributions to local authorities toward, or for, the construction of traffic controls, road improvements, or other devices adjacent to a national cemetery if considered necessary for safe ingress or egress.

* * * * * * *

PART III—READJUSTMENT AND RELATED BENEFITS

* * * * * * *

CHAPTER 37—HOUSING AND SMALL BUSINESS LOANS

SUBCHAPTER I—GENERAL

Sec.
1801. Definitions.
1802. Basic entitlement.
1803. Basic provisions relating to loan guaranty.
1804. Restrictions on loans.
1805. Warranties.
1806. Escrow of deposits and downpayments.
1807. Service after July 25, 1947, and prior to June 27, 1950.

SUBCHAPTER II—LOANS

1810. Purchase or construction of homes.
1811. Direct loans to veterans.
1815. Insurance of loans.
1816. Procedure on default.
1816A. Loans to refinance delinquent indebtedness.

* * * * * * *

Subchapter I—General

* * * * * * *

§ 1802. Basic entitlement

(a) Each veteran who served on active duty at any time during World War II, the Korean conflict, or the Vietnam era and whose total service was for ninety days or more, or who was discharged or released from a period of active duty, any part of which occurred during World War II, the Korean conflict, or the Vietnam era, for a service-connected disability, shall be eligible for the housing loan benefits of this chapter. In the case of any veteran who served on

active duty during two or more of the periods specified in the preceding sentence, or in section 1818 of this title, for which eligibility for the housing loan benefits under this chapter may be granted, entitlement derived from service during the most recent such period (1) shall cancel any unused entitlement derived from service during any earlier such period, and (2) shall be reduced by the amount by which entitlement from service during any earlier such period has been used to obtain a direct, guaranteed, or insured housing loan—

(A) on real property which the veteran owns at the time of application; or

(B) as to which the Administrator has incurred actual liability or loss, unless in the event of loss or the incurrence and payment of such liability by the Administrator the resulting indebtedness of the veteran to the United States has been paid in full.

(b) In computing the aggregate amount of guaranty or insurance housing loan entitlement available to a veteran under this chapter, the Administrator may exclude the amount of guaranty or insurance housing loan entitlement used for any guaranteed, insured, or direct loan, if—

(1)(A) the property which secured the loan has been disposed of by the veteran or has been destroyed by fire or other natural hazard; and

(B) the loan has been repaid in full, or the Administrator has been released from liability as to the loan, or if the Administrator has suffered a loss on such loan, the loss has been paid in full; or

(2) [an immediate] *a* veteran-transferee has agreed to assume the outstanding balance on the loan and consented to the use of the veteran-transferee's entitlement, to the extent that the entitlement of the veteran-transferor had been used originally, in place of the veteran-transferor's for the guaranteed, insured, or direct loan, and the veteran-transferee otherwise meets the requirements of this chapter.

The Administrator may, in any case involving circumstances the Administrator deems appropriate, waive one or more of the conditions prescribed in clause (1) of the preceding sentence.

* * * * * * *

§ 1803. Basic provisions relating to loan guaranty

(a) * * *

* * * * * * *

(c)(1) Loans guaranteed or insured under this chapter shall be payable upon such terms and conditions as may be agreed upon by the parties thereto, subject to the provisions of this chapter and regulations of the Administrator issued pursuant to this chapter, and shall bear interest not in excess of such rate as the Administrator may from time to time find the loan market demands, except that in establishing the rate of interest that shall be applicable to such loans, the Administrator shall consult with the Secretary of Housing and Urban Development regarding the rate of in-

terest the Secretary considers necessary to meet the mortgage market for home loans insured under section 203(b) of the National Housing Act (12 U.S.C. 1709(b)), and, to the maximum extent practicable, carry out a coordinated policy on interest rates on loans insured under such section 203(b) and on loans guaranteed or insured under this chapter. In establishing rates of interest under this paragraph for one or more of the purposes described in clauses (4) and (7) of section 1810(a) of this title, the Administrator may establish a rate or rates higher than the rate specified for other purposes under such section, but any such rate may not exceed such rate as the Administrator may from time to time find the loan market demands for loans for such purposes.

(2) The provisions of the Servicemen's Readjustment Act of 1944 which were in effect before April 1, 1958, with respect to the interest chargeable on loans made or guaranteed under such Act shall, notwithstanding the provisions of paragraph (1) of this subsection, continue to be applicable—

(A) to any loan made or guaranteed before April 1, 1958; and

(B) to any loan with respect to which a commitment to guarantee was entered into by the Administrator before April 1, 1958.

(3) This section shall not be construed to prohibit a veteran from paying to a lender any reasonable discount required by such lender, when the proceeds from the loan are to be used—

(A) to refinance indebtedness pursuant to clause (5) [or (8)], *(8), or (9)(B)(i)* of section 1810(a) of this title or section 1819(a)(1)(F) of this title;

(B) to repair, alter, or improve a farm residence or other dwelling pursuant to clauses (4) and (7) of section 1810(a) of this title;

(C) to construct a dwelling or farm residence on land already owned or to be acquired by the veteran except where the land is directly or indirectly acquired from a builder or developer who has contracted to construct such dwelling for the veteran;

(D) to purchase a dwelling from a class of sellers which the Administrator determines are legally precluded under all circumstances from paying such a discount if the best interest of the veteran would be so served; or

(E) to refinance indebtedness and purchase a manufactured-home lot pursuant to section *1810(a)(9)(B)(ii) or* 1819(a)(1)(G) of this title, but only with respect to that portion of the loan used to refinance such indebtedness.

* * * * * * *

Subchapter II—Loans

§ 1810. Purchase or construction of homes

(a) Any loan to a veteran, if made pursuant to the provisions of this chapter, is automatically guaranteed if such loan is for one or more of the following purposes:

(1) To purchase or construct a dwelling to be owned and occupied by the veteran as a home.

(2) To purchase a farm on which there is a farm residence to be owned and occupied by the veteran as the veteran's home.

(3) To construct on land owned by the veteran a farm residence to be occupied by the veteran as the veteran's home.

(4) To repair, alter, or improve a farm residence or other dwelling owned by the veteran and occupied by the veteran as the veteran's home.

(5) To refinance existing mortgage loans or other liens which are secured of record on a dwelling or farm residence owned and occupied by the veteran as the veteran's home.

(6) To purchase a one-family residential unit in a condominium housing development or project, if such development or project is approved by the Administrator under criteria which the Administrator shall prescribe in regulations.

(7) To improve a dwelling or farm residence owned by the veteran and occupied by the veteran as the veteran's home through the installation of a solar heating system, a solar heating and cooling system, or a combined solar heating and cooling system or through the application of a residential energy conservation measure.

(8) To refinance in accordance with subsection (e) of this section and existing loan guaranteed, insured, or made under this chapter.

(9)(A)(i) To purchase a manufactured home to be permanently affixed on a lot that is owned by the veteran.

(ii) To purchase a manufactured home and a lot on which the home will be permanently affixed.

(B)(i) To refinance in accordance with subsection (e) of this section (other than paragraph (1)(E) of such subsection) an existing loan guaranteed, insured, or made under this chapter that is secured by a manufactured home permanently affixed on a lot that is owned by the veteran.

(ii) To refinance in accordance with section 1819(a)(5) of this title an existing loan that was made for the purchase of, and that is secured by, a manufactured home that is permanently affixed to a lot and to purchase the lot on which the manufactured home is affixed.

* * * * * * *

(f)(1) For a loan to be guaranteed for the purpose specified in clause (A)(ii) or (B)(ii) of subsection (a)(9) of this section, the purchase of (or the refinancing of a loan secured by) the manufactured home and the lot for that home shall be considered as one loan and must comply with such other criteria as may be prescribed by the Administrator in regulations.

(2) A loan may not be guaranteed for the purposes of subsection (a)(9) of this section unless the manufactured home purchased, upon being permanently affixed to the lot, is considered to be real property under the laws of the State where it is located.

* * * * * * *

§ 1816A. Loans to refinance delinquent indebtedness

(a)(1) The Administrator may, at the Administrator's option, provide assistance to a veteran under this section for the purpose of avoiding the foreclosure of a housing loan made to that veteran and previously guaranteed by the Administrator under section 1810 or 1819 of this title (hereinafter in this section referred to as a "primary loan").

(2) Assistance under this section shall be in the form of a loan to the veteran. Such assistance may be provided only if—

(A) the dwelling that secures the primary loan is the current residence of the veteran and is occupied by the veteran as the veteran's home;

(B) the veteran is at least six months delinquent in payments on that primary loan;

(C) the veteran is unemployed or has had a substantial reduction in household income (as defined in regulations prescribed by the Administrator) through no fault of the veteran; and

(D) the Administrator determines that there is a reasonable prospect that the veteran will be able to resume payment on the primary loan within six months after receiving assistance under this section.

(3) For the purposes of this section, the term "veteran" includes the surviving spouse of a veteran if the surviving spouse was a co-obligor of the primary loan.

(b)(1) A loan under this section shall be advanced to the holder of the primary loan. The amount of the loan under this section shall first be applied to the amount delinquent on the loan guaranteed under this chapter including any amount delinquent on taxes, assessments, and hazard insurance required by the holder to be included in the veteran's monthly payment on the mortgage. Any remaining amount of such loan shall be retained by the holder and shall be applied to future payments including taxes, assessments, and hazard insurance due on the loan and unpaid (in whole or in part) on the date the payment becomes due.

(2) The Administrator may make more than one loan under this section to a veteran. The total amount of loans under this section to any veteran may not exceed $8,400.

(c) A loan under this section—

(1) shall bear interest at the lower of (A) the maximum rate in effect (as of the date of the first loan made to the veteran under this section) for loans guaranteed under section 1810(a)(1) of this title, or (B) the rate on the primary loan;

(2) shall be secured by a lien on the property securing the primary loan and by such other security as the Administrator may require; and

(3) shall be subject to such additional terms and conditions as the Administrator may require.

(d) As a condition of receiving a loan under this section the veteran shall execute an agreement, in such form as the Administrator may prescribe, to repay the loan not later than 48 months after the period for which assistance with the last loan under this section is to be provided. If the Administrator determines that the veteran has sufficient income or other resources to do so, the Administrator may

require the veteran to make partial payments on the primary loan guaranteed under this chapter during the period the holder of that loan is applying the amount of the loan under this section to payments becoming due on the primary loan.

(e) Notwithstanding any other law, the Administrator may employ attorneys to bring suit to collect any amount of a loan under this section on which the veteran to whom the loan is made is in default.

(f) The Administrator's decisions regarding assistance under this section, including whether or not to grant such assistance and the terms and conditions under which such assistance is granted or not granted, are final and conclusive, and are not subject to judicial review.

(g) The Administrator may not make a loan under this section after the end of the two-year period beginning on the effective date of this section.

* * * * * * *

§ 1819. Loans to purchase manufactured homes and lots

(a)(1) * * *

* * * * * * *

(5)(A) For a loan to be guaranteed for the purpose specified in paragraph (1)(G) of this subsection *or section 1810(A)(9)(B)(ii) of this title*—

(i) the loan must be secured by the same manufactured home as was the loan being refinanced and such manufactured home must be owned and occupied by the veteran as such veteran's home; and

(ii) the amount of the loan may not exceed an amount equal to the sum of—

(I) the purchase price of the lot,

(II) the amount (if any) determined by the Administrator to be appropriate under paragraph (2) of this subsection to cover the cost of necessary preparation of such lot,

(III) the balance of the loan being refinanced, and

(IV) such closing costs (including any discount permitted pursuant to section 1803(c)(3)(E) of this title) as may be authorized by the Administrator, under regulations which the Administrator shall prescribe, to be included in such loan.

(B) When a loan is made to a veteran for the purpose specified in paragraph (1)(G) of this subsection *or section 1810(a)(9)(B)(ii) of this title,* and the loan being refinanced was guaranteed, insured, or made under this section, the portion of the loan made for the purpose of refinancing such loan may be guaranteed by the Veterans' Administration under this chapter without regard to the amount of outstanding guaranty entitlement available for use by such veteran, and the amount of such veteran's guaranty entitlement shall not be charged as a result of any guaranty provided for such portion of such loan. For the purposes of section 1802(b) of this title, such portion of such loan shall be deemed to have been

obtained with the guaranty entitlement used to obtain the loan being refinanced.

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